

March 15, 2004
Joint Hearing of the House Committee on Labor and Public Employment,
Committee on Education, Committee on Higher Education
SB 3238: Relating to Education

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Aloha, and thank you for this opportunity to testify before you today. I am a member of the Hawai'i State Board of Education, but I am not testifying on behalf of the full Board. The Board of Education position is to support this bill.

Real education reform is involves four simple principles:

- **Clear accountability.** Principals are accountable for school level results, including student achievement and staff performance;
- **Resources are aligned with responsibility.** Principals control school level resources as well as the resources for the centralized support services;
- **Autonomy.** Education operating funds are allocated in a lump sum, based on the cost of educating the child. Principals are free to determine the best use of funds to meet the unique needs of the students in their school; and
- **Parental choice.** Parents are given real choice in public education, and funds follow the child to the school of choice, thereby fostering innovation and variation between schools.

SB 3238 does not provide *any* of these four principles.

I oppose SB 3238 because it not only doesn't provide any real reform – it actually will make Hawai'i's public education system worse:

1. It leaves the centralized bureaucracy of the DOE intact;
2. It does not provide the schools with control over a specified amount of resources, nor that the DOE move to such a system within a set time frame;
3. It creates additional layers of bureaucracy that will take money and control away from the schools;
4. It ties principals' hands and imposes the worst form of micromanagement; and
5. It does not address the current lack of accountability for student achievement that has permitted the DOE to fail generations of students.

1. SB 3238 leaves the centralized bureaucracy of the DOE intact. If you leave the centralized bureaucracy intact, you will have accomplished nothing.

True site-based decision-making requires that the individual schools control

- all funds for school-level personnel, supplies, equipment and services; and
- all funds for centralized school support services.

Why both? Because you can't hold principals accountable for the achievement of their students if others are making school-level decisions. Accountability is the very core of the education reform Hawai'i must adopt. Any reform that does not have clear lines of accountability is not real reform, because it will not result in improved student achievement.

If you limit principals' control to school-level operations you will be leaving the central office intact. This creates two major problems:

First, principals cannot decide what types of support services they will receive or choose to eschew support services in favor of additional school level staffing.

Requiring the central support to operate on a cost recovery basis ensures that the principals get to prioritize the services, and change their priorities as they need in order to address the changing needs of their students.¹

Second, you lose accountability because you can't hold a principal responsible for student achievement when some percentage of the services provided to those students is being determined by people outside the school.

SB 3238 Section 7 specifically states that the Advisory Committee shall consider excluding the following funds from school level allocations:

- Special education and related services;
- School-based behavioral health;

¹ In Edmonton, when principals were given control over the monies for centralized support services, they did two things:

- they opted to purchase only approximately 50% of the support services from the central office, and put the remaining funds back into school-level services, and
- they demanded different services from the central office than what they had been given in the past.

Under the first example, principals clearly prioritized school needs above support services. If a principal has control over the budget, she will put textbooks and teaching materials up front, not as a small line item that is an afterthought.

Under the second example, principals clearly have different support priorities than is predicted by centralized staff. For example, Edmonton had 20 tech support central staff. When principals were given control over the central services budget, they prioritized tech support. Edmonton central office increased the tech support staff to 65 to meet the demand.

Why would the central office be in the best position to determine how to provide these services to individual students located in 283 schools across the state? How do you hold a principal accountable for the achievement of the students receiving these services if they have no say in when, how often, or what form they are provided? Who is accountable for a student's performance when she receives 60% of her education from school personnel and 40% of her education from central office personnel?

The Governor's bill did not leave the central office intact. Principals are given control over school level funds as well as centralized support services, are given the funds in a lump sum with flexibility to allocate them as they choose, and are held accountable for the student achievement in their school.

If the legislature leaves the centralized bureaucracy intact, it will not improve student achievement in Hawai'i and will not reform public education.

2. SB 3238 is in its third draft, yet it does not give schools control over any minimum percentage of the DOE operating budget, nor does it require the DOE to transfer control of funds to schools within a set time.

a. SB 3238 does not provide schools control over any set portion of the education budget, and could result in schools controlling less of the budget

SB 3238 could leave schools with absolutely no more control than they currently have, and could even result in school having less control.

After one year of public discussion about decentralization, SB 3238 SD 2 still fails to address the very heart of the decentralization debate: the amount of the operating budget that is controlled by the individual schools.

In fact, SB 3238 actually *supports re-centralization* by permitting the DOE to transfer money *out of the school's lump sum budgeting*. So SB 3238 specifically permits the DOE to further reduce the school budget beyond the current meager state. *See* Section 42.

All SB 3238 promises is that 93.5% of the monies allotted to the DOE shall be spent "for" schools and school complexes. That has already been the law since 1995, when it was mandated that the DOE could not spend any more than 6.5% on administration. In short, the bill does nothing to change the centralized control over resources by the DOE.

The Governor's bill provides that *at least* 90% of the total amount appropriated by the legislature for school operations shall be expended by the individual schools for school operations and schools would have complete flexibility in expending the funds under their control.

If the legislature does not specify that schools control a minimum percentage of the DOE operating budget, schools will receive only a marginal amount, subject to being eroded by the all-powerful centralized bureaucracy. Again, in order to generate any real change, that minimum amount must include both (1) school-level expenditures and (2) centralized school support services.

b. SB 3238 does not give a deadline for the DOE to provide schools control over operating funds.

SB 3238 simply says the DOE shall implement a weighted student formula system for allocating schools their operating monies. There is absolutely no deadline for implementing such a system. No deadline for schools to receive control over the operating funds. No deadline for the DOE central office to relinquish centralized control over decision making and provide schools with flexibility.

The only deadline is for the Advisory Committee to “submit its recommendation for *approval or disapproval of the weighted student formula, in whole or in part*, to the board of education and legislature not less than thirty days prior to the convening of the regular session of 2005.”

Under SB 3238 we could be sitting here next year looking at a recommendation that the DOE disapprove the entire weighted student formula, go back to the beginning and devise new weights to be examined the following year.

SB 3238 also gives the DOE two years to *identify all the issues which must be resolved to successfully implement the WSF budget system*. However, the DOE recent one-year study, funded by the legislature, already identifies such obstacles. Instead of moving forward swiftly, SB 3238 gives the DOE license to drag its feet for two years to *identify obstacles* without even having to take action to remove such obstacles and give the schools control over the money.

The Governor’s bill provided that “by the 2006-07 school year of the total amount appropriated by the legislature each fiscal year for school operations...at least 90 percent shall be expended by the individual schools for school operations.” SB 3238 lacks this clear deadline for the transfer of control over funds and decision-making.

If the legislature does not adopt a deadline, the system will not be implemented. It will die the death of benign neglect, killed by a centralized system that does not want to relinquish control to the schools.

3. SB 3238 creates additional layers of bureaucracy that will take money and control away from the schools;

a. SB 3238 sets up four layers of bureaucracy above a school

The Advisory Committee created by SB 3238 is directed to determine allocations of funds between four layers of bureaucracy above a school:

- the school complex;
- the school complex area;
- the departmental school district and
- the state level.

Each of these four layers of bureaucracy will have authority over a school and its daily operations, provide some centralized support services to a school, and will take money away from school level activities.

The directive to allocate funds to four levels of bureaucracy above schools guarantees that the schools will receive only marginal control over the operating budget.

The creation of four layers of bureaucracy above schools also guarantees that principals and schools will be tied up with additional red tape and barriers to autonomy.

In contrast, the Governor's bill clearly stated that principals are responsible for school operations. Only one level above a school has oversight for daily operations and provides centralized support (on a cost recovery basis); the district office. The state Commission has no role in the daily operations or management or support of schools.

b. SB 3238 limits individual principal's right to contract for services

SB 3238, Section 19 states that "all decisions relating to contracts for professional services and health and human services shall be made jointly and by a majority vote of the principals of a school complex."

This provision is a prime example of how these four layers of bureaucracy above schools will prevent principals from moving forward.

- What happens if a group of elementary school principals wants to enter a contract for a reading program and they are in different complexes? Each one has to convince the majority of principals in their various complexes to agree? And what if they do not?
- What happens to schools like Kailua Intermediate School, which serves two complexes? The principal has to get a majority of both complexes before she can enter into any contract? And what happens if she can't get a majority of one complex?

In contrast, the Governor's bill does not require a principal to get a vote of approval from any other school before they could enter into a contract for services. The focus should be on making it as easy as possible for principals to obtain services for their schools. Not to set up new hurdles for them to overcome. Principals should collaborate, but in the manner they find works the best for their students. Not in the manner dictated by people in Honolulu who have no experience in running a school.

4. SB 3238 ties principals' hands and imposes the worst form of micromanagement

a. School-level councils in SB 3238 will eliminate accountability and can worsen school performance, fiscal accountability and staff morale

SB 3238 re-names SCBM as School Community Councils, and then gives them responsibility over the expenditure of the school budget.

...[S]chool community councils...[p]osses shared decision-making powers by providing the councils with responsibility over the school weighted student funding budget...
Section 20.

Presumably principals will have to obtain a majority or supermajority vote in order to make any change in a school that requires expending school-level funds. Let me give you two examples of why this is a bad idea:

- Campbell High School had one of the worst dropout rates in the state. About three years ago a new principal began working there, and was determined to improve the graduation rate. She shared data with her school staff about the student achievement, and suggested they adopt, among other things, a “block schedule.”

Moving to a block schedule could only be accomplished if the teachers agreed to waive a provision in their contract. Under the HSTA contract, such a change can only be adopted if 75% of the teachers agree to it. It took the principal three years to get enough votes to adopt a change in the school's daily schedule.

This case illustrates how difficult it is to get people to accept any change. There is no limit to the number of people who serve on school community councils, so a school may have anywhere from 5 to 20 people serving on a council. If a principal is required to get a majority or supermajority vote for all school-level expenditures, especially from a large council composed of school staff, parents, students and community people, it will prevent a school from taking timely action to improve student achievement.

- A teacher at another high school informed me that several teachers grouped together to create a program to help incoming 9th graders who needed remedial help. They were trying to prevent these kids from dropping out of school. The principal agreed to re-direct some school resources to the program, and it was working.

Other school staffs were upset because they had lost some resources. They demanded a vote on whether the program should be continued. At the faculty meeting several of the students in the program testified at how the program had helped them catch up to their peers and stopped them from dropping out of school. The teacher tells me the students were crying, asking that the program be continued.

The majority of staff voted to discontinue the program because it drew resources away from other activities. The program ended, and the incoming students who could not perform at grade level no longer receive remedial help.

This case illustrates the fact that the allocation of finite resources will always result in some people perceiving themselves as “losing,” and they will vote against such change, even when it is in the best interest of raising student achievement.

Including teachers, staff, parents and others in decisions is critical. But you need to draw the line at giving school-level councils a vote over the day-to-day operations of a school and the expenditures of school budgets. You can’t hold a principal accountable for student achievement if school councils have the power to make, or prevent, school-level decisions.

Furthermore, what can you do when a school council is fighting amongst themselves? Not much, so these schools are left to stagnate.

Voting on school operations and expenditures simply invites micromanagement of the worst kind and creates the potential for mismanagement of funds. Professor William Ouchi cites Chicago as a prime example of abuse and micromanagement when control over budgets and operations are passed to school-level councils. This created such havoc and abuse in the school system that the city and state voted to eliminate the councils and place the schools under the control of the mayor.

Governor Lingle’s bill kept clear accountability and responsibility with the principal. While schools are free to set up councils or simply keep the ones they have with SCBM, principals are not required to place budgets or operations out for a vote. Principals are required to be inclusive team leaders, and the intent is to have their evaluations include information from surveys by their staff, parents and students. But in order to keep clear lines of accountability, nothing interferes with the principal’s responsibility for student achievement.

b. Distinction between school-level councils and locally-elected district school boards

SB 3238 school-level councils have a role and voting right in the daily operations of a school and the use of school budgets. They dilute principal accountability for achievement and fiscal responsibility. Moreover, school-level councils are not elected by the general public, and roughly half of their membership is not employed by the DOE. Therefore these councils are not accountable to anyone for their performance or decisions.

The District local school boards in Governor Lingle’s bill were not responsible for the daily operations of the schools. The local school boards had clear, and limited roles, and were set at a specific distance – closer than the state level so that they could lend effective support, but far enough from the school level to prevent micromanagement. Their role was limited to evaluating the principal’s performance based on student achievement and fiscal responsibility. And those boards were elected by the general public and directly accountable to their communities.

If the legislature creates school-level councils that have voting rights over the daily operations and budget of a school, it will be killing any accountability for school results, and opening the door to micromanagement, rancor and abuse at the school level that could dramatically hurt our already poor student achievement and low staff morale.

5. SB 3238 does not address the current lack of accountability for student achievement that has permitted the DOE to fail generations of students.

SB 3238 adds some vague language to the existing statute on educational accountability. But Hawai'i does not have any shortage of statutory language. What we have a shortage of is any real accountability in the DOE, both for student achievement and for fiscal responsibility.

SB 3238 guarantees that this lack of accountability will continue. In addition to creating school level councils with voting rights, the bill never specifies who should be accountable for any results. All accountability language in the bill is vague. Principals are not placed on performance contracts. In fact the bill specifically provides that no agreement or understanding currently between principals and the DOE will be changed.

Not only does SB 3238 fail to provide much needed accountability, it actually provides the DOE with several publicly insulting waivers of the sunshine law.

- The DOE is given license to develop fiscal accountability without complying with the sunshine law. “The superintendent shall develop and implement appropriate planning procedures and follow-up accountability reports, *without regard to chapter 91*, to ensure sound planning, control, and accountability in the use of monies by schools and school complexes.” *See* Section 6.
- The DOE is exempted from the procurement code. Over the past 13 years the State Auditor has issued approximately 12 reports stating the DOE is not operating in a fiscally efficient or effective manner. Yet SB 3238 exempts the DOE annual \$2 Billion dollars of expenditures from any public scrutiny in the future. *See* Section 45.
- The DOE and BOE are exempted from the sunshine law when adopting rules to implement the new school-level councils. *See* Section 20.

The Governor's bills were focused top to bottom on clarifying accountability. Furthermore, it was also focused on providing full public disclosure of all operations, and a state Commission that was responsible for providing unbiased and public oversight of fiscal accountability and student achievement. Two things our state public education system sorely lacks.

If the legislature does not adopt measures that clarify accountability and ensures an open system with impartial and public evaluation, it will not be improving our public education system.

6. Other areas where the SB 3238 fails to address education reform

a. SB 3238 pays lip service to streamlining bureaucracy, but does nothing to limit the bureaucracy within the DOE

SB 3238 contains nine pages of text entitled “Reduction of Bureaucracy.” Seven pages refer to “de-linking” the DOE from other state agencies. A worthy goal. However, out of the total state expenditures for public education, the “other state agencies” accounted for under 3% of the approximately \$2 Billion dollars.

Given that the DOE is responsible for over 97% of the approximately \$2 Billion dollar budget, surely it merits more than two pages of text. Upon examination, those two pages do nothing to limit the DOE bureaucracy. Instead they permit the centralized bureaucracy to divert funds from schools lump sum budgets, and exempt the DOE from the procurement code.

It is hard to remain un-cynical when SB 3238 demands that two executive agencies transfer significant portions of their operations to the DOE within two months, and a working group develop a comprehensive plan to transfer significant portions of five agencies within seven months – but gives the Advisory Committee two years to study impediments to implementing the WSF and school budgets, and no deadline for the actual transition to occur.

If the legislature does not address the bureaucracy within the DOE, it will not be adopting any real education reform.

b. Parental Choice

SB 3238 does not provide Hawai'i's parents with any choice in public education. The Governor's bill provides parents with choice through two measures.

- Charter Schools: Governor's bill permits 25 new charter schools. Priority is given to applications for schools that serve currently underserved students, which provide vocational education, or other areas where Hawaii is sorely lacking in options. Permitting new charter schools that serve these needs is the ideal solution, and provides parents with real choices that have been denied them for years.

In addition, the Governor's bill ensured that charter schools can flourish by requiring they receive the same WSF funding as regular schools AND that it be at a minimum the same 90% of the state operating funds. Under SB 3238 even if charter schools receive the same WSF funding, it could be well below the amount they receive now since the DOE will have license to include only marginal amounts in the WSF allocation.

The Governor's bill also provided charter schools with an impartial chartering authority. By making this, and the other changes for charter schools, the Governor's bill will likely raise Hawaii's charter school rating with the federal government, thereby gaining access to heretofore untapped federal funds.

- Open Boundaries: The Governor's bill provides open boundaries for our public schools. Open boundaries fosters school choice and innovation. Unlike the current system, the Governor's bill states that the district determines the number of open seats available, that seats are allocated via a public and impartial lottery system, and that students are permitted to remain in the school until their terminal year.

SB 3238 does not include any provision to foster parent choice or provide variation in the type of public schools or foster innovation in public schools.

7. DOE history shows that the legislature must be extremely specific in allocating resources and autonomy to the principals

*Those Who Cannot Remember the Past are
Condemned to Repeat It.*

- Santayana

In 1992 the DOE's stated it would provide schools with control over a greater percentage of the budget and give them greater autonomy over the use of those funds. Instead the amount schools receive in their lump sum budget has decreased almost 20% in the past ten years, and schools are dramatically limited in their control over those funds.

1992: "At present, the lumpsum budget makes up 54 percent of the total operating budget of the DOE. In time, this percentage should increase to about 70 percent.

"For funds allocated under this lumpsum budget, the schools will have the flexibility to make program choices and determine their own priorities to meet their unique needs."

August 5, 1992 Memorandum to Board of Education from Superintendent of the Department of Education.

2003: "The lump sum represents 36.4% of the total budget.

"With respect to the lump sum allocation, a principal's control is limited to positions that are vacant, hourly salary accounts, supplies and equipment budgets. ... [T]he lump sum budget allocation to schools for supplies and equipment ... represents just 2.3% of the total general fund resources budgeted for public schools in the 2003-04 fiscal year."

Weighted Student Formula Feasibility Study, State of Hawai'i Board of Education Department of Education, December 8, 2003.

In the early 1990s the Superintendent of the DOE went to Edmonton, Canada to study the weighted student formula and decentralization. The Department developed a comprehensive weighting system for all students and schools in the state with input from DOE personnel.

Summer 1992: “Present plans are to submit the DOE’s 1993-95 operating budget to the Governor and the Legislature in the lumpsum format, and to implement lumpsum budgeting beginning with the execution of the 1993-94 budgets.

“Timetable for Implementation. ... C. Allocation of funds to schools under the lumpsum weighted pupil allocation system: March-April 1993.

August 5, 1992 Memorandum to Board of Education from Superintendent of the Department of Education.

Fall 1992: “Development of the Weighted Pupil Allocation System (WPAS) began in July 1992. It will take another year to refine and complete the new formula.

“To fully implement lumpsum budgeting the necessary infrastructure must be in place. ... For the foregoing reasons, the new allocation formula, WPAS, must be deferred.”

Department of Education Lumpsum Budgeting, Draft – October 1992.

Winter 1994: “The implementation schedule of the new WPAS is planned for fiscal year 1995-96. If everything proceeds on schedule, WPAS will, at that time, replace the many allocation formulas currently in use.”

School-based Budgeting and the Weighted Pupil Allocation System, Department of Education February 8, 1994.

Weighted student funding was never implemented.

8. Conclusion

Citizens of Hawai‘i are tired of broken promises, failure to follow through on commitments, lack of real accountability, and extremely poor student achievement as compared to the rest of the nation.

SB 3238 ignores this history and leaves us to rely upon yet another tired promise by the DOE to make things better. A promise motivated by increased public scrutiny, that will fade once the public diverts its attention.

Edmonton originally adopted site-based decision making for efficiency reasons. They felt principals were in the best position to decide how to allocate scarce resources. However, as they moved to a system of accountability, every person we spoke to in the Edmonton Public School District told us they could not have improved student achievement without the principals having true control over funding and decisions. Top-down instructions do not work. True site-based decision-making was the key to their success. And they are successful beyond our wildest dreams.

Public school students in Canada score in the top two or three countries on international student achievement. Public school students in the province of Alberta score at the top of Canada. And Edmonton public school students score at the top of Alberta. In the past ten years, the four clear principles of education reform have raised their student achievement literally to the top of the world.

Please do not leave us with nothing but vagaries. Please enact real education reform. The four principles are clear, and they clearly work. The people of Hawai'i deserve a public school system that can be at the tope of the world. Thank you for this opportunity to testify before you today.